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C O N F I D E N T I A L BUENOS AIRES 000907

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PASS NSC FOR JOSE CARDENAS, ROD HUNTER
STATE FOR S/CT -- NOYES
STATE FOR EB/ESC -- DAS SIMONS AND JEAN CLARK
STATE FOR EB/ESC/TFS - LEANNE CANNON
STATE FOR INL/C/CP (PETERSON), INR/EC, S//CT (HILL), IO/PSC
(SANDAGE)
TREASURY FOR TFFS (HEFFERNAN, VANLINGEN, KLOSKI), OFAC,
FINCEN
TREASURY FOR LTRAN, MMALLOY, BFOSTER
DHS FOR ICE -- D.THOMPSON
JUSTICE FOR OIA AND AFMLS
USDOC FOR ALEXANDER PREACHER AND JOHN ANDERSEN
PARIS PASS US MISSION OECD

E.O. 12958: DECL: 05/06/2027

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SUBJECT: ARGENTINE DRAFT COUNTER TERRORISM FINANCE LAW
STALLS IN CONGRESS

REF: A. BUENOS AIRES 78
[1](#)B. BUENOS AIRES 794
[1](#)C. BUENOS AIRES 803
[1](#)D. BUENOS AIRES 855
[1](#)E. BUENOS AIRES 881

Classified By: AMBASSADOR E.A. WAYNE FOR REASONS 1.4 (B AND D).

Summary

[1](#)1. (C) It appears increasingly uncertain that the Argentine Congress will pass pending counter-terrorism finance legislation prior to the June 2007 Financial Action Task Force (FATF) deadline, despite strong support from within the GoA, the private sector, and even within Congress. The main obstacle is the bad timing, in the middle of the electoral season, but the draft law is also mildly controversial and carries the stigma of foreign pressure. Argentina's private financial sector is concerned that this may provoke FATF action that could complicate and strain their correspondent banking relations. The Ambassador and other Emboffs have repeatedly stressed the importance of passing this legislation in meetings with senior GoA officials and Members of Congress. The Justice Minister told the Ambassador on April 25 that he expected Senate -- but not full Congressional -- passage of the law by June. Most of Post's other contacts, however, including the GoA's National anti-money laundering and counter-terrorism finance (AML/CTF) Coordinator and Ex-Deputy and new GoA Representative to the UN Jorge Arguello, are pessimistic that Congress will act on the law prior to the October Presidential elections. Nevertheless, Arguello and others encourage greater U.S. and

FATF engagement. See action request Para 14. End Summary

Draft CTF Law Languishes in Senate

12. (SBU) On December 20, President Kirchner sent the GoA's draft anti-terrorism and counter-terrorism finance bill to Congress (Ref A). The GoA took this action in order to comply with Financial Action Task Force (FATF) demands. While the law has some deficiencies (see Ref A), it would criminalize acts of terror and terrorism financing, and would provide the legal foundation for the Financial Investigative Unit ("Unidad de Informacion Financiera"), Central Bank, and other law enforcement bodies to investigate and prosecute such crimes.

13. (C) During the February 2007 FATF plenary, FATF member countries accepted the draft law, but gave the GoA until the June 25-29 FATF Plenary in Paris to pass it. In the event the Argentine Congress does not pass the law by June, FATF members will consider whether to issue a public statement that the GoA is not in compliance with international CTF standards. Such a statement could result in U.S. and other foreign banks performing enhanced due diligence on transactions with Argentine banks, and would also raise general concerns about the safety and soundness of the Argentine financial system.

14. (C) The law is currently awaiting review in three Senate committees: Justice, Domestic Security, and Economy and Investment. The most important is the Justice Committee, which is slated to review the law first. Vilma Ibarra, Senator for Buenos Aires City, is President of this Committee and is also President of the Frente para la Victoria (the largest block in the Senate). The GoA's National Coordinator

for anti-money laundering and counter-terrorism finance (AML/CTF) issues, Juan Felix Marteau, and the Central Bank's Vice Superintendent for bank regulation, Zenon Biagosch, separately told Econoffs that Ibarra must actively throw her support behind the law if it is to move during this session.

15. (C) Miguel Cordoba, the Director of a private Congressional research firm ("Labor Legislativa"), informed Econoffs May 9 that none of the relevant Committees had taken any action to date. He pointed out that despite modifications to make the bill more palatable to the more leftist elements of the President's support base, the issue was still somewhat politically controversial. He also noted that the media would likely interpret it as Congress bowing to foreign pressure. However, he said the main obstacle was that Members of Congress were focused on elections going on throughout the country (from now through October), and Congressional leaders were having trouble assembling a quorum for votes on any of the various projects pending before Congress. Nevertheless, he commented that direct Executive intervention in support of the draft bill could convince Congress to debate and pass the law in a matter of weeks, so there was still time to meet the late-June deadline.

Mounting Private Sector Concerns

16. (C) The private Argentine financial sector is equally pessimistic, and is increasingly worried that the Argentine Congress' failure to pass CTF legislation before the June plenary could provoke a negative reaction from FATF. During the Ambassador's April 25 lunch with the Association of Argentine Banks (ADEBA), the Presidents of Argentina's largest domestically-owned private banks raised concerns that a FATF decision to sanction Argentina could complicate their correspondent banking relationships with major U.S. and other foreign banks.

17. (C) ADEBA President Jorge Brito said he and other bankers present did not believe the Argentine Congress would pass the draft law before the October 2007 elections, though they strongly supported its passage and recognized the potential negative repercussions of failing to do so. Brito pointed out that current legislation and administrative measures in

place were more than adequate for the Central Bank and Financial Intelligence Unit to address issues of money laundering and terrorism finance in the financial system. He continued that these regulatory bodies were already working with banks operating in Argentina to implement the administrative and regulatory measures included in the draft CTF law, and also noted that their foreign partner banks were aware of and satisfied with these efforts. Still, he told the Ambassador that he and ADEBA would continue pushing for passage of the law.

Ambassador's Advocacy in Support of draft CTF Law

¶8. (C) Ambassador underscored the importance of passing CTF legislation before the June FATF deadline during most recent meetings with GoA officials, including on April 20 with First Lady Senator Cristina Fernandez de Kirchner (Ref B), April 23 with President Pro Tempore of the Senate Jose Pampuro (Ref C), April 30 with Foreign Minister Taiana (Ref D), and Planning Minister De Vido May 3.

¶9. (C) The Ambassador also raised the issue in separate meetings with Justice Minister Iribarne on April 24 and

Prosecutor General Righi on April 27 (Ref E). Righi stated that he had reviewed the draft law and believed that it was a good law. He said he would be ready to offer his opinion if and when asked by Congressional Committees. Iribarne stated that he expected the Senate to approve the legislation before FATF's meeting in June, but that the draft law would then need to be considered by the lower House, which would not likely take up the issue before the June Plenary. He stated that both he and Minister of Economy Felisa Miceli had emphasized to Senator Vilma Ibarra that passing CTF legislation was a priority.

¶10. (C) In a May 8 meeting with DCM, former Deputy Jorge Arguello (Chairman of the Lower House Foreign Affairs Committee until his recent appointment and Senate confirmation as the new Argentine Permanent Representative to the UN) also expressed uncertainty over whether Congress would act on the bill in time. Arguello explained that there are two GOA points of view on the issue of FATF dealings with Argentina on the terrorism finance law. One point of view, which Arguello thinks now prevails in the Casa Rosada, is that the submission of the draft bill last December was enough to avoid any FATF sanctions being imposed. Arguello understands correctly that this is not the case and that FATF sanctions are a real possibility if a bill is not passed before the FATF plenary in June.

¶11. (C) Arguello said there is a group within both the Congress and the Executive that understands more fully the situation, but that the President is now under the false impression that enough has been done. Arguello suggested a very low pressure, low visibility embassy (U.S. and others) effort to correct this false impression, perhaps through quiet discussions with senior officials in the Casa Rosada. Arguello said that without a clear indication from the President that action should be taken in the next weeks on this bill, it is likely that Congressional inaction will prevail and no bill will be passed. If FATF then does impose sanctions, this would only give the President an opportunity to lash out at the international community, making passage of the bill even more unlikely in this pre-election period.

GoA's Lead on AML/CTF Issues Has Doubts

¶12. (C) National AML/CTF Coordinator Juan Felix Marteau (PROTECT), who wrote the draft CTF law, told Econoff in late April that he is pessimistic that it will get through Congress this year, and is beginning to worry how to explain this during the FATF plenary. In past meetings, Marteau has cautioned that USG efforts to lobby for passage of the law should be low-profile. However, he has recently become more encouraging of some type of external pressure, as it has become apparent to him that internal lobbying (of the President's office and Congress) has not met with success.

In particular, he urged Econoff to focus efforts on convincing Senator Ibarra to get the Justice Committee to act on the law, and also on convincing First Lady Senator Cristina Fernandez de Kirchner to engage on it.

IMF Views

¶13. (C) Mariano Federici, the IMF's regional AML/CTF advisor, based in Buenos Aires, told Econoff in late April that his sources in the GoA and Argentine Senate also confirm what Post is hearing, that it is unlikely Congress will vote on the draft law this year. Federici's contacts tell him that

Kirchner is focused exclusively on the elections and does not attach a priority to other issues -- including the CTF law -- at the moment, so there is no Executive pressure pushing the Senate to act.

Comment and Action Request

¶14. (C) The IMF's Federici argues that a public FATF statement criticizing the GoA would probably have a detrimental impact on AML/CTF efforts in Argentina, as he thinks President Kirchner would likely respond by rejecting FATF altogether -- possibly even using it to his advantage as an election issue. Post agrees with this assessment at least to the point that a public statement would be unlikely to achieve the objective of getting Congress to pass the law this year. Argentine lawmakers are too distracted by election year priorities to take up a law that is still considered somewhat controversial. Nevertheless, the Argentine private sector and senior government officials are actively pushing for this law, and left alone the Congress would probably pass the current draft sometime after the elections. Post will step up advocacy efforts, and will pursue joint approaches with other embassies, but considers that even the most optimistic or best case scenario is just Senate passage of the law by June. Support from other FATF members would be useful, and Post requests State and Treasury assistance to energize FATF member countries and the FATF Secretariat to weigh in on this issue with the GoA and have

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their representatives in Buenos Aires coordinate with us.

End Comment and Action Request.

WAYNE